

Statement of Doug Nuttelman

Docket No. AO-313-A48; DA-04-06

My name is Doug Nuttelman. My address is 12449 M Rd., Stromsburg, NE 68666. Stromsburg is located in east central Nebraska, about 100 miles west of Omaha. I operate a family dairy and also have a cash crop farm operation. My wife Gloria and I have three sons: Jason and Greg are both married and have families, and Scott is a senior in high school. Jason and Greg are both actively involved in both the dairy and the farming. We milk around 150 cows and farm about 2,000 acres. We also have two full-time employees and one part-time employee. Our dairy was started by my wife's father in the 1960's, and I took it over in 1986. I hope that someday I will be able to turn it over to my sons, since they both wish to stay on the farm and raise their families there.

I market my milk through Dairy Farmers of America, Inc. I am presently on the Board of Directors and have filled many positions since 1988. I am also on the Nebraska Dairy Industry Development Board and the Dairy Council of Nebraska.

First, I believe that the Federal Milk Marketing Order was designed to create a system that allows all producers in a given area to equally share in the returns from all classes of milk. When this system operates correctly, producers that supply a bottling plant and a manufacturing plant both share in the returns from the market. This creates stability in the country, and dairy farmers are not always

out shopping for the BEST markets for their milk. Also, the fact that paper milk (milk that is not delivered to a processor) can draw money out of the hands of the producers that supply a market is not right. I do not share any of my other income from my farm operation with someone else from a different state, except for the milk I produce.

I support Proposal No. 1. I believe that milk from out of Federal Order 32 should not be allowed to pool unless the requirements are revised. Currently they allow too much freedom from milk in other areas to pool on our Order. If the milk is needed in Order 32, and they can supply it, then they should share in the returns. But to deliver a small amount of milk and paper pool the rest is not right. The Order rules should reflect economic reality, both for the local producer and the producers that share in a different Order. Delivering real milk costs money!

I support Proposal No. 2, which would limit the pooling of milk normally associated with the market that was not pooled in a prior month to 125 % of the producer milk receipts pooled by a handler during the prior month. When class prices for milk change rapidly, (especially Class III) producers that are supplying the manufacturing should not be able to withdraw from the Order. This leaves the producers that are servicing the rest of the market at a price disadvantage. When this happens producers begin to switch markets. Someday the supply of milk that is needed for fluid customers will be gone. In Nebraska during the month of April, other DFA members and I received roughly \$2.59 less for my milk than those producers that supply a Class III plant, because 62% of the milk from

Nebraska producers in my coop had to be pooled. In May it was \$1.40, because 60% of our milk was pooled. In my capacity as a Director, many producers called me and asked, "How can this be right?" The Federal Order system is not performing as it was intended. Fluid milk buyers demand steady performance from dairymen because consumers demand it from them. If the milk for fluid isn't available, the cost to supply that milk should be passed on to the consumers not to the balance of dairymen in the area. The fluid milk market has a steady regular demand. If any dairyman wants to share in the returns from that market demand, he should be prepared to deliver every month and not get in and out of the pool. This would return to all dairymen equally.

Thank you for listening to my concerns, and I will try to answer any questions.

Doug Nuttelman